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UNCLAS SECTION 01 OF 02 NEW DELHI 001230

SIPDIS

E.O. 12958: N/A

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SUBJECT: IMPROVING US-INDIA DEFENSE COOPERATION: INDUSTRY OFFERS IDEAS

1. Summary: In a February 10 meeting sponsored by the US-India Business Council (USIBC) and the Confederation of Indian Industries (CII), senior Indian and US defense company representatives suggested that to expand the bilateral defense market, the USG should reform its export licensing process, showcase how NSSP and other progress make the US a more reliable supplier, and consider more co-production with Indian manufacturers. End Summary.

2. On the margins of the 2005 AERO India trade show hosted by the GOI, the Ambassador represented the USG at the first meeting of the US-India High-Technology Group (HTCG) subgroup on "Indo-US Industry Cooperation in Defense Production." He joined a panel comprised of former U/S Thomas Pickering (representing Boeing and co-chair of the USIBC Defense Services Mission), retired Lt. Gen SS Mehta (representing CII), and Maj. Gen HS Sehgal (Technical Manager, Land Systems, Ministry of Defence). US Export Control Attache Michael Rufe (USDOC) also attended. The audience of about 50 was equally divided between USIBC delegates from US defense manufacturers and GOI defense sector entities invited by CII.

3. The goal of the event was to identify possible specific priority programs for US-India defense production. In his opening remarks, the Ambassador invited the Indian government to "test us" to prove the USG is a reliable supplier as well as a strategic partner. He cited changes in the US-India relationship such as the Next Steps in Strategic Partnership (NSSP) and the powerful and growing India lobby in Washington as proof of a long-term, mutually beneficial relationship. Maj. Gen Sehgal gave an overview of the MoD's procurement procedure.

4. Members of the audience raised the following points:

- US export licensing requirements disadvantage US industry at each stage of defense sales transactions: talk, negotiate, sell and transfer. Could there be a "duration of program" license for 15+ years that might cover contacts sufficiently to put GOI concerns at ease? Could existing contracts be protected by higher thresholds required to sanction them under US law? (Note: Ambassador Pickering noted such an export license would not be useful since Congress can always change laws and policy. End note.)

- Could any Indian end-users be pre-cleared so that only the technology and the use need verification? In any case, can the export license process be expedited?

- The USG has to thoroughly explain how industry will be affected by changes made under the NSSP. Suggestions for doing this included releasing a profile of how many dual-use BIS and munitions list DTC licenses have been granted since NSSP was launched, what areas NSSP has facilitated or removed export licensing requirements for, the processing times for licenses, and a breakdown of licenses granted by industry.

- Could the Glenn Amendment be repealed?

- Could a DTC specialist be placed at Embassy New Delhi, or at least come on TDY to brief the Indians on export licenses for defense sales?

- Indian industry asked for more co-production, and joint research and development, as a way to make US tenders more attractive to the GOI.

- Lt. Gen Mehta asked if co-production of anti-terrorism equipment could be a starting point for broader US-India cooperation and increasing high-tech trade.

5. Comment: While few specific projects were identified for US-India defense cooperation, both US and Indian industry were upbeat about the future of their commercial relationship. Many questions could not be substantively addressed because there was no DTC or DoD representation at this event. The mission strongly recommends expanding USDOC export licensing seminars in India to include State(PM) and Defense representatives in order to respond to queries that inevitably cross USG agency authorities. End Comment.

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